ECORD
AND
BRIEF

FILED
JAN 24 2017
OFFICE OF THE CLERK
SUPREME COURT, U.S.

No. 15-1189

In the Supreme Court of the United States

IMPRESSION PRODUCTS, INC., PETITIONER

v.

LEXMARK INTERNATIONAL, INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING REVERSAL IN PART AND VACATUR IN PART

NOEL J. FRANCISCO
Acting Solicitor General
Counsel of Record
JOYCE R. BRANDA
Acting Assistant Attorney General
MALCOLM L. STEWART
Deputy Solicitor General
ELIZABETH B. PRELOGAR
Assistant to the Solicitor General
MARK R. FREEMAN
MELISSA N. PATTERSON
Attorneys

Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217

QUESTIONS PRESENTED

1. Whether a U.S. patent owner may invoke patent law to enforce restrictions on the use or resale of a patented article after the first authorized sale of the article in the United States.

2. Whether and under what circumstances a U.S. patent owner may authorize the sale of a patented article in a foreign country, either under a foreign patent or otherwise in accordance with foreign law, while reserving its exclusive rights under U.S. patent law.

TABLE OF CONTENTS

Page

Interest of the United States 1
Statement 1
Summary of argument 6
Argument:
I. An authorized sale in the United States fully exhausts U.S. patent rights in that article, such that restrictions on post-sale use or resale are not enforceable under patent law 8
A. Under this Court's decisions, the patent-exhaustion doctrine delimits the exclusive rights granted by patent law 9
B. The Federal Circuit's understanding of patent exhaustion conflicts with this Court's decisions 13
II. A foreign sale authorized by a U.S. patentee exhausts U.S. patent rights unless the patentee expressly reserves those rights 22
A. Foreign sales authorized by U.S. patentees should presumptively, but not categorically, exhaust U.S. patent rights 23
B. The Court should reject petitioner's proposed rule of automatic international patent exhaustion 26
C. This Court should also reject the rule, advocated by respondent and adopted by the Federal Circuit, that a foreign sale can never exhaust U.S. patent rights 32
Conclusion 34

TABLE OF AUTHORITIES

Cases: Page

Adams v. *Burke*, 84 U.S. (17 Wall.) 453 (1873) 10

Aro Mfg. Co. v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964) 10, 13

Bauer & Cie v. *O'Donnell*, 229 U.S. 1 (1913) 17

Bloomer v. *McQuewan*, 55 U.S. (14 How.) 539 (1853) 2, 9, 16

Bobbs-Merrill Co. v. *Straus*, 210 U.S. 339 (1908) 30

Boesch v. *Gräff*, 133 U.S. 697 (1890) 23, 24

Boston Store v. *American Graphophone Co.*, 246 U.S. 8 (1918) 10, 11, 13, 14

Bowman v. *Monsanto Co.*, 133 S. Ct. 1761 (2013) 2, 9, 10, 11

Commil USA, LLC v. *Cisco Sys., Inc.*, 135 S. Ct. 1920 (2015) 2, 20

Curtiss Aeroplane & Motor Corp. v. *United Aircraft Eng'g Corp.*, 266 F. 71 (2d Cir. 1920) 25

Deepsouth Packing Co. v. *Laitram Corp.*, 406 U.S. 518 (1972) 3, 27

De Forest Radio Tel. Co. v. *United States*, 273 U.S. 236 (1927) 15

Dickerson v. *Matheson*, 57 F. 524 (2d Cir. 1893) 24

Dickerson v. *Tinling*, 84 F. 192 (8th Cir. 1897) 24

General Talking Pictures Corp. v. *Western Elec. Co.*, 305 U.S. 124 (1938) 19, 20, 21

Griffin v. *Keystone Mushroom Farm, Inc.*, 453 F. Supp. 1283 (E.D. Pa. 1978) 24

Halo Elecs., Inc. v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016) 32

Harkness v. *Russell*, 118 U.S. 663 (1886) 17

Henry v. *A.B. Dick Co.*, 224 U.S. 1 (1912) 11, 12

Hobbie v. *Jennison*, 149 U.S. 355 (1893) 10

Cases—Continued: Page

Holiday v. *Mattheson*, 24 F. 185 (C.C.S.D.N.Y. 1885) 25
Jazz Photo Corp. v. *International Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001), cert. denied, 536 U.S. 950 (2002) 4
Kabushiki Kaisha Hattori Seiko v. *Refac Tech. Dev. Corp.*, 690 F. Supp. 1339 (S.D.N.Y. 1988) 25
Keeler v. *Standard Folding Bed Co.*, 157 U.S. 659 (1895) 2, 10, 13, 16
Kirtsaeng v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013) 5, 29, 30
Mallinckrodt, Inc. v. *Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992) 4, 5
Microsoft Corp. v. *AT&T Corp.*, 550 U.S. 437 (2007) 3, 26, 27
Mitchell v. *Hawley*, 83 U.S. (16 Wall.) 544 (1873) 16, 17
Motion Picture Patents Co. v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1917) ..... *passim*
Quanta Computer, Inc. v. *LG Elecs., Inc.*, 553 U.S. 617 (2008) 2, 10, 13, 16, 19
Sanofi, S.A. v. *Med-Tech Veterinarian Prods., Inc.*, 565 F. Supp. 931 (D.N.J. 1983) 25
Seymour v. *Osborne*, 78 U.S. (11 Wall.) 516 (1871) 15
Sony Corp. of Am. v. *Universal City Studios, Inc.*, 464 U.S. 417 (1984) 30
United States v. *General Elec. Co.*, 272 U.S. 476 (1926) 20
United States v. *Line Material Co.*, 333 U.S. 287 (1948) 19
United States v. *Univis Lens Co.*, 316 U.S. 241 (1942) ..... *passim*
Vimar Seguros y Reaseguros, S.A. v. *M/V Sky Reefer*, 515 U.S. 528 (1995) 29

Constitution, treaties, and statutes: Page

U.S. Const. Art. I, § 8, Cl. 8 (Patent Clause) 10
Convention at Brussels, An Additional Act Modifying the Industrial Property Convention of March 20, 1883, Dec. 14, 1900, Art. I, para. III, 32 Stat. 1940 26
Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 25 Stat. 1372 26
United States-Australia Free Trade Agreement, Art. 17.9.4, May 18, 2004, KAV 6422 (2005) 28
United States-Morocco Free Trade Agreement, Art. 15.9.4 & n.10, June 15, 2004, KAV 7206 (2005) 28
Copyright Act, 17 U.S.C. 101 *et seq.* 13
17 U.S.C. 109(a) 29, 30
Patent Act of 1790, ch. 7, 1 Stat. 109:
Sec. 1, 1 Stat. 110 13
Sec. 4, 1 Stat. 111 14
Patent Act of 1952, 35 U.S.C. 1 *et seq* 13
35 U.S.C. 154(a) 9
35 U.S.C. 154(a)(1) 1, 2, 13
35 U.S.C. 271(a) 2, 7, 14, 15, 21
Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006, Pub. L. No. 109-108, Tit. VII, § 631, 119 Stat. 2344 28
United States-Australia Free Trade Agreement Implementation Act, Pub. L. No. 108-286, 118 Stat. 919 28
United States-Morocco Free Trade Agreement Implementation Act, Pub. L. No. 108-302, 118 Stat. 1103 28

Miscellaneous:

Note, *Section 271(b) of the Patent Act of 1952: Confusion Codified*, 66 Yale L.J. 132 (1956) 15

Miscellaneous—Continued: Page

3 William C. Robinson, *The Law of Patents for Useful Inventions* § 901 (1890) 20

Transcript, Fiscal Year 2006 Defense Appropriations and the Fiscal Year 2006 Science, State and Justice Appropriations Bills: Hearing Before the H. Comm. on Appropriations, 109th Cong., 2005 WL 1350973 (June 7, 2005) 28

U.C.C. § 2-312 32

In the Supreme Court of the United States

No. 15-1189

IMPRESSION PRODUCTS, INC., PETITIONER

v.

LEXMARK INTERNATIONAL, INC.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING REVERSAL IN PART AND VACATUR IN PART

INTEREST OF THE UNITED STATES

The questions presented in this case concern whether and under what circumstances a patentee can retain U.S. patent rights in a particular article after authorizing the sale of that article either in the United States or abroad. Those questions implicate the expertise and responsibilities of several federal agencies and components. At the invitation of the Court, the United States filed a brief as amicus curiae at the petition stage.

STATEMENT

1. A U.S. patent confers on the patentee "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States." 35 U.S.C. 154(a)(1). A person who does any

of those acts "without authority" from the patentee infringes the patent. 35 U.S.C. 271(a). Direct patent infringement is a strict-liability tort; neither scienter nor contractual privity is necessary for liability. See *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015).

For more than 160 years, this Court has recognized a principle of patent "exhaustion" that "limits a patentee's right to control what others can do with a[] [patented] article" after it has been sold. *Bowman* v. *Monsanto Co.*, 133 S. Ct. 1761, 1766 (2013); see *Bloomer* v. *McQuewan*, 55 U.S. (14 How.) 539, 549-550 (1853). Under the exhaustion doctrine, also known as the "first sale" doctrine, "the initial authorized sale of a patented item terminates all patent rights to that item." *Quanta Computer, Inc.* v. *LG Elecs., Inc.*, 553 U.S. 617, 625 (2008). The patentee therefore cannot invoke patent law to enforce restrictions on the post-sale use or resale of that item. See *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 514, 516 (1917). Instead, the enforceability of downstream restrictions after an authorized sale arises only "as a question of contract, and not as one under the inherent meaning and effect of the patent laws." *Keeler* v. *Standard Folding Bed Co.*, 157 U.S. 659, 666 (1895).

Patent rights are further circumscribed by the territorial boundaries of the United States. The statutory provisions that delineate both the patent grant and the conduct that constitutes infringement incorporate that geographic limitation. See 35 U.S.C. 154(a)(1) (patentee enjoys exclusive rights "throughout the United States"); 35 U.S.C. 271(a) (defining infringement to include specified conduct "within the United

States"). No authority under a U.S. patent is required to make, use, or sell the patented invention outside the United States. See, *e.g.*, *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 527 (1972). Rather, foreign law governs that conduct, and a U.S. patentee who desires to control the foreign manufacture or sale of its invention therefore must "obtain[] and enforc[e] foreign patents." *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 441, 456 (2007).

2. a. Respondent owns several U.S. patents related to printer toner cartridges, which respondent sells both in the United States and abroad. Pet. App. 9a-10a. As relevant here, all of the U.S. sales and some of the foreign sales included a "single-use/no-resale restriction," which prohibited buyers from reusing the cartridges after the toner ran out and from transferring the cartridges to anyone but respondent. *Id.* at 10a. The parties have stipulated that the restriction is "an express and enforceable contractual agreement." *Id.* at 11a (citation omitted).

Petitioner acquired spent cartridges that respondent had initially sold both here and abroad and resold them in the United States after they had been replenished with ink. Pet App. 10a. Based on that conduct, respondent sued petitioner for direct and contributory patent infringement, alleging (i) a violation of the single-use/no-resale restriction on cartridges originally sold in the United States and (ii) unlawful importation of the cartridges originally sold abroad. *Id.* at 12a-13a.

b. The district court dismissed respondent's infringement claim involving cartridges originally sold in the United States, holding that the initial authorized sale of those cartridges exhausted respondent's

patent rights in them. Pet. App. 140a-155a. The court acknowledged that, in *Mallinckrodt, Inc.* v. *Medipart, Inc.*, 976 F.2d 700 (1992), the Federal Circuit had permitted a patentee to invoke patent law to enforce a single-use restriction following an authorized sale. Pet. App. 146a-147a. The court concluded, however, that *Mallinckrodt* was inconsistent with this Court's exhaustion decisions. *Id.* at 154a.

The district court refused to dismiss the infringement claims involving cartridges originally sold abroad. Pet. App. 156a-169a. The court relied on the Federal Circuit's holding in *Jazz Photo Corp.* v. *International Trade Commission*, 264 F.3d 1094 (2001) (*Jazz Photo*), cert. denied, 536 U.S. 950 (2002), that a foreign sale authorized by the U.S. patentee does not exhaust U.S. patent rights. Pet. App. 159a.

The parties then stipulated to a final judgment in petitioner's favor as to cartridges respondent had sold within the United States, and in respondent's favor as to cartridges respondent had sold abroad. Pet. App. 17a-18a.

c. Both parties appealed, Pet. App. 18a, and the Federal Circuit sua sponte ordered the case heard en banc, *id.* at 136a-139a. The en banc court of appeals held that neither the domestic nor the foreign sales had exhausted respondent's patent rights in the cartridges. *Id.* at 1a-104a.

The Federal Circuit reaffirmed *Mallinckrodt*'s holding that a patentee may sell an article in the United States while retaining patent-law rights to enforce "clearly communicated, otherwise-lawful restriction[s] as to post-sale use or resale." Pet. App. 26a; see *id.* at 26a-63a. The court stated that the "exhaustion doctrine in the Patent Act must be understood as an in-

terpretation of § 271(a)'s 'without authority' language." *Id.* at 24a. The court viewed it as improper "to treat a sale as conferring on the buyer the very authority that is being denied through clearly communicated restrictions." *Id.* at 40a-41a.

The Federal Circuit read this Court's exhaustion decisions to hold that patent rights are exhausted only when initial sales are "unconditional," meaning unaccompanied by any restrictions, Pet. App. 41a-43a, or when a purported restriction "exceed[s] the legitimate scope of patent rights," *id.* at 27a-28a (citing *Mallinckrodt*, 976 F.2d at 704); see *id.* at 44a-56a. The court further understood this Court's decisions to permit enforcement of post-sale restrictions accompanying authorized sales made by a licensee. *Id.* at 41a-49a. The court concluded that "there is no sound reason, and no Supreme Court precedent, requiring a distinction that gives less control to a practicing-entity patentee that makes and sells its own product than to a non-practicing-entity patentee that licenses others to make and sell the product." *Id.* at 26a.

The Federal Circuit also reaffirmed *Jazz Photo*'s holding that foreign sales do not exhaust U.S. patent rights. Pet. App. 63a-103a. The court recognized that "an express or implied license might be found based on the circumstances" of a particular sale, *id.* at 67a, but held that a foreign sale does not conclusively or presumptively confer any authority under the U.S. patent to import, use, or resell that article within the United States, *id.* at 64a. The court held that *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), in which this Court interpreted a statutory provision that governs copyright exhaustion, did not

require a rule of automatic international patent exhaustion. Pet. App. 67a-75a.

Judge Dyk, joined by Judge Hughes, dissented. Pet. App. 105a-135a. The dissenting judges understood this Court's exhaustion decisions to foreclose using patent law to enforce post-sale restrictions following an authorized sale in the United States. *Id.* at 105a; see *id.* at 106a-125a. They would have further held that a foreign sale authorized by the U.S. patentee does not categorically exhaust U.S. patent rights, but should trigger exhaustion if those rights are not "explicitly reserve[d]" at the time of the foreign sale. *Id.* at 125a; see *id.* at 125a-135a.

SUMMARY OF ARGUMENT

An authorized sale of a patented article in the United States exhausts all patent rights in that article and renders post-sale restrictions unenforceable in patent-infringement suits. A U.S. patentee who authorizes sales of the patented articles abroad, by contrast, may reserve his U.S. patent rights provided he does so expressly at the time of sale.

I. A. Beginning in 1853, this Court has repeatedly held that the first authorized U.S. sale of a particular patented article frees that article from the patent monopoly. That rule prevents the practical difficulties that would arise if a patentee could demand royalties for the use or resale of articles embodying its invention at multiple downstream points in the channels of commerce. With one short-lived exception, the Court has consistently rejected patentees' attempts to use infringement actions to enforce restrictions on post-sale use or resale. Under a straightforward application of those decisions, respondent cannot rely on the

patent laws to enforce a single-use/no-resale restriction on the cartridges it sold in the United States.

B. The Federal Circuit erred in viewing the exhaustion doctrine as merely a default rule that patentees can override when authorizing U.S. sales. The court relied on 35 U.S.C. 271(a), which was enacted in 1952 and defines patent infringement to include using or selling a patented invention "without authority" from the patentee. The court of appeals believed that a downstream purchaser who contravenes the patentee's express directive necessarily infringes under that provision. But Section 271(a) simply codified the traditional understanding of what constitutes patent infringement, which this Court has evidently viewed as compatible with its longstanding exhaustion jurisprudence. The court of appeals was also wrong to believe that its ruling was necessary to avoid creating an unwarranted distinction between sales made by the patentee and sales made by an authorized licensee. If a U.S. sale is authorized, *no* restrictions on downstream use or resale may be enforced in a patent-infringement action, whether the sale is consummated by the patentee himself or by his licensee.

II. A. With respect to the cartridges that respondent sold outside this country, the Court should apply a rule of presumptive international exhaustion, under which a foreign sale authorized by the U.S. patentee exhausts U.S. patent rights unless those rights are expressly reserved. Lower courts have coalesced around that rule, which appropriately reconciles the territorial nature of patent law with a purchaser's traditional entitlement to assume that an unrestricted sale conveys all of a seller's rights in the article sold.

B. The Court should reject petitioner's proposed rule of automatic international patent exhaustion. A foreign sale of a patented article occurs under the authority of a foreign patent or otherwise in accordance with foreign law, and it need not account for any separate exclusive rights in the United States conferred by a U.S. patent. Although no legal principle *prevents* a U.S. patentee from relinquishing his U.S. monopoly as part of a foreign sale (presumably at a price calibrated to reward him for his rights under both foreign and U.S. law), such a sale does not depend on the U.S. rights and so should not *automatically* exhaust them. And Congress has approved free trade agreements that assume that exhaustion principles do not preclude enforcement of express reservations of U.S. patent rights accompanying foreign sales.

C. The Court should also reject the rule, advocated by respondent and adopted by the court below, that foreign sales can *never* exhaust the seller's U.S. patent rights. Nothing in the nature of a foreign sale logically precludes a U.S. patentee from conveying his U.S. rights as part of the foreign transaction. A foreign sale should be understood to have that effect unless the patentee expressly reserves his U.S. rights at the time of sale.

ARGUMENT

I. AN AUTHORIZED SALE IN THE UNITED STATES FULLY EXHAUSTS U.S. PATENT RIGHTS IN THAT ARTICLE, SUCH THAT RESTRICTIONS ON POST-SALE USE OR RESALE ARE NOT ENFORCEABLE UNDER PATENT LAW

For more than 160 years, this Court has held that, once a patentee authorizes the sale of a particular

patented article in the United States, the patent laws do not constrain the subsequent use or resale of that article. Under those decisions, respondent's single-use/no-resale restriction may not be enforced against downstream purchasers in patent-infringement suits following an authorized domestic sale. The Federal Circuit's decision misreads those precedents and would substantially erode the exhaustion doctrine.

A. Under This Court's Decisions, The Patent-Exhaustion Doctrine Delimits The Exclusive Rights Granted By Patent Law

Patent law confers on the patentee the "right to exclude others from making, using, offering for sale, or selling the invention." 35 U.S.C. 154(a). Since 1853, this Court has recognized that exhaustion principles limit that right to exclude. See *Bloomer* v. *McQuewan*, 55 U.S. (14 How.) 539, 549-550 (1853). Once a patentee authorizes the sale of a particular patented article, that article "passes outside" the patent's coverage "and is no longer under the protection of the act of Congress." *Id.* at 549. Because the authorized sale "exhausts the monopoly in that article," a patentee "may not thereafter, by virtue of his patent, control the use or disposition of the article." *United States* v. *Univis Lens Co.*, 316 U.S. 241, 250 (1942) (*Univis*).[1] "[A] long line of this Court's decisions" treating the exhaustion doctrine as "delimiting the scope of the patent grant" accordingly "condemn[s]" a patentee's

---

[1] Because the exhaustion doctrine "restricts a patentee's rights only as to the particular article sold," however, an authorized sale "does not allow the purchaser to make new copies of the patented invention." *Bowman* v. *Monsanto Co.*, 133 S. Ct. 1761, 1764, 1766 (2013) (citation and internal quotation marks omitted).

attempt to invoke the patent laws to enforce restrictions on post-sale use or resale. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 497 (1964) (*Aro*) (plurality opinion); see *Bowman* v. *Monsanto Co.*, 133 S. Ct. 1761, 1764 (2013); *Quanta Computer, Inc.* v. *LG Elecs., Inc.*, 553 U.S. 617, 625 (2008) (*Quanta*); *Boston Store* v. *American Graphophone Co.*, 246 U.S. 8, 25 (1918); *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 508-518 (1917); *Keeler* v. *Standard Folding Bed Co.*, 157 U.S. 659, 666 (1895); *Hobbie* v. *Jennison*, 149 U.S. 355, 361-363 (1893); *Adams* v. *Burke*, 84 U.S. (17 Wall.) 453, 456 (1873).

This Court has described "[t]he inconvenience and annoyance to the public" if patent rights are not exhausted by the first authorized sale as "too obvious to require illustration." *Keeler*, 157 U.S. at 667. Absent exhaustion, a patentee could demand royalties for the use or resale of articles embodying its invention at multiple downstream points in the channels of commerce, long after the first authorized sale in the United States. That result would threaten the viability of second-hand markets in patented goods at substantial cost to the public interest, with no reason to think the ensuing wealth transfer to the patentee would promote the purposes that the Patent Clause serves. See U.S. Const. Art. I, § 8, Cl. 8; *Motion Picture Patents*, 243 U.S. at 511 ("[T]his court has consistently held that the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and useful arts.'") (citation omitted). The Court has further explained that "the purpose of the patent law is fulfilled with respect to any particular article when the

patentee has received his reward for the use of his invention by the sale of the article, and that once that purpose is realized the patent law affords no basis for restraining the use and enjoyment of the thing sold." *Univis*, 316 U.S. at 251; see *Bowman*, 133 S. Ct. at 1766 (quoting *Univis*, 316 U.S. at 251).

This Court has repeatedly applied the exhaustion doctrine to reject patentees' use of patent-infringement suits to enforce restrictions on post-sale use or resale. In *Univis*, for example, the patentee authorized the sale of lens blanks to wholesalers and retailers, but imposed a condition that the purchasers could thereafter sell the lenses "only at prices prescribed by the [patentee]." 316 U.S. at 245. This Court observed that the initial authorized sales "relinquish[ed] * * * the patent monopoly with respect to the article sold," notwithstanding the patentee's attempt to retain control over resale prices. *Id.* at 249. Because that post-sale restriction "derive[d] no support from the patent," the Court concluded that it "must stand on the same footing * * * as like stipulations with respect to unpatented commodities." *Id.* at 251. Similarly in *Boston Store*, this Court refused to enforce a restriction on resale prices accompanying an authorized sale. 246 U.S. at 25-26. The Court emphasized that "one who ha[s] sold a patented machine and received the price, and ha[s] thus placed the machine so sold beyond the confines of the patent law, c[an] not, by qualifying restrictions as to use, keep under the patent monopoly a subject to which the monopoly no longer applie[s]." *Id.* at 25.

The lone exception to this Court's treatment of the exhaustion doctrine as a limit on the scope of the patent right was *Henry* v. *A.B. Dick Co.*, 224 U.S. 1

(1912). In allowing a patentee to invoke patent law to enforce use restrictions following an authorized sale, the Court in *A.B. Dick* emphasized that the patent "monopoly extends to the right of making, selling and using, and these are separable and substantial rights." *Id.* at 27-28. The Court concluded that the "right to sever ownership and use is deducible from the nature of a patent monopoly," so that "[t]he property right to a patented machine may pass to a purchaser with no right of use, or with only the right to use in a specified way, or at a specified place, or for a specified purpose." *Id.* at 24-25.

A.B. Dick was overruled just five years later, however, by *Motion Picture Patents*, 243 U.S. at 518. The Court there described *A.B. Dick* as proceeding from "the argument that, since the patentee may withhold his patent altogether from public use he must logically and necessarily be permitted to impose any conditions which he chooses upon any use which he may allow of it." *Id.* at 514. The Court specifically rejected that rationale, explaining that "[t]he defect in th[at] thinking" lay in its "failure to distinguish between the rights which are given to the inventor by the patent law and which he may assert against all the world through an infringement proceeding and rights which he may create for himself by private contract." *Ibid.*

Under this Court's longstanding approach, so long as a patentee authorizes the domestic sale of a patented article, that sale "carrie[s] [the article] outside the monopoly of the patent law," and restrictions on post-sale use or resale are not enforceable through an infringement suit. *Motion Picture Patents*, 243 U.S. at 516. Since *A.B. Dick* was overruled in 1917, this Court has rejected every attempt to invoke patent law

to control the use or resale of an article after the first authorized sale in the United States. See, *e.g.*, *Quanta*, 553 U.S. at 637; *Univis*, 316 U.S. at 244, 249-252; *Boston Store*, 246 U.S. at 25; *Motion Picture Patents*, 243 U.S. at 506-507, 516. Under a straightforward application of those precedents, exhaustion principles foreclose respondent's reliance on the patent laws to enforce a single-use/no-resale restriction against downstream purchasers of the cartridges that respondent sold in this country.

B. The Federal Circuit's Understanding Of Patent Exhaustion Conflicts With This Court's Decisions

With respect to authorized U.S. sales of patented articles, the Federal Circuit viewed the exhaustion doctrine as simply a default presumption, subject to override at the patentee's option. That analysis reflects a misunderstanding of this Court's decisions.

1. Unlike the Copyright Act, 17 U.S.C. 101 *et seq.*, the Patent Act of 1952, 35 U.S.C. 1 *et seq.*, does not codify any exhaustion rule. This Court has long recognized, however, that the exhaustion doctrine "delimit[s] the scope of the patent grant," *Aro*, 377 U.S. at 497 (plurality opinion), by "emancipat[ing]" an article that has been sold "from any further subjection to the patent throughout the entire life of the patent," *Keeler*, 157 U.S. at 666. The doctrine is properly understood as a limitation on the exclusive rights conferred on the patentee. See 35 U.S.C. 154(a)(1); Patent Act of 1790, ch. 7, sec. 1, 1 Stat. 110 (granting to a patentee "the sole and exclusive right and liberty of making, constructing, using and vending to others to be used, the said invention or discovery"); see also, *e.g.*, *Motion Picture Patents*, 243 U.S. at 515-516 (describing the exhaustion doctrine as rooted in the

patentee's exclusive rights to use and to vend). When a patentee authorizes a sale, he "place[s] the machine so sold beyond the confines of the patent law" and cannot "by qualifying restrictions * * * keep under the patent monopoly a subject to which the monopoly no longer applie[s]." *Boston Store*, 246 U.S. at 25.

2. The court of appeals believed that exhaustion principles "must be understood as an interpretation of [35 U.S.C.] § 271(a)'s 'without authority' language." Pet. App. 24a. The court inferred that, because Section 271(a) defines infringement to include "a sale or use of a patented article 'without authority,'" a patentee's imposition of "clearly communicated, otherwise-lawful restrictions" at the time of sale is sufficient to preserve its Section 271 rights in the sold article. *Id.* at 40a. The court reasoned that, "[u]nless granting 'authority' is to be a legal fiction, a patentee does not grant authority by denying it." *Id.* at 41a. The court thus believed that a downstream purchaser who contravenes the patentee's express instruction necessarily "infringes the patent" within the meaning of Section 271(a).

The statutory language on which the court of appeals relied provides no sound basis for disregarding this Court's patent-exhaustion precedents. The original Patent Act of 1790 imposed liability on those who would "devise, make, construct, use, employ, or vend" a patented article "without the consent of the patentee." Patent Act of 1790, ch. 7, sec. 4, 1 Stat. 111. Although subsequent patent laws enacted between 1836 and 1952 omitted any express statutory definition of actionable infringement, this Court's decisions during that period reflected the continuing understanding that the presence or absence of patentee

consent was crucial to the determination whether infringement had occurred. See, *e.g.*, *De Forest Radio Tel. Co.* v. *United States*, 273 U.S. 236, 241 (1927) (explaining that patentee's consent to another's practicing the patent "constitutes a license, and a defense to an action for a tort"); *Seymour* v. *Osborne*, 78 U.S. (11 Wall.) 516, 555 (1871) (stating that patentees are "entitled * * * to treat every one as an infringer who makes and uses or vends [a patented] machine to others to be used without their authority or license"). The Court evidently saw no inconsistency between the exhaustion decisions it issued during that period and that established understanding of infringement.

When Congress enacted Section 271(a) in 1952, that provision was understood as "simply restat[ing] the traditional definition of direct infringement." Note, *Section 271(b) of the Patent Act of 1952: Confusion Codified*, 66 Yale L.J. 132, 136 (1956). And in *Bowman* and *Quanta*, this Court recently confirmed its continuing adherence to traditional patent-exhaustion principles, without suggesting that Section 271(a) had cast doubt on its pre-1952 precedents. The language of Section 271(a) therefore provides no sound basis for the Federal Circuit's disposition of this case.

3. The Federal Circuit suggested that, under this Court's decisions, the exhaustion doctrine precludes enforcement only of post-sale restrictions that are otherwise unlawful, such as resale-price-maintenance conditions and tying arrangements. Pet. App. 28a-29a, 44a-56a. The logic and reasoning of this Court's decisions, however, did not depend on the particular *type* of post-sale restrictions at issue, but instead turned on the nature and extent of the exclusive rights

conferred by U.S. patent law. See, *e.g.*, *Quanta*, 553 U.S. at 635-638; *Motion Picture Patents*, 243 U.S. at 514-516. The decisions emphasize that, by authorizing a sale, a patentee "part[s] with his right to assert the patent monopoly with respect to" the article that has been sold—full stop. *Univis*, 316 U.S. at 251; see, *e.g.*, *Quanta*, 553 U.S. at 625 ("[T]he initial authorized sale of a patented item terminates *all* patent rights to that item.") (emphasis added); *McQuewan*, 55 U.S. (14 How.) at 549 (article that has been sold "is no longer within the limits of the monopoly").

In decisions holding that patent rights had been exhausted, moreover, this Court has sometimes reserved the separate question whether restrictions accompanying a sale could be enforced through a breach-of-contract action. See, *e.g.*, *Quanta*, 553 U.S. at 637 n.7 ("[W]e express no opinion on whether contract damages might be available even though exhaustion operates to eliminate patent damages."); *Keeler*, 157 U.S. at 666 (observing that the enforceability of post-sale restrictions "would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws"). That approach would make no sense if exhaustion barred enforcement only of restrictions that are otherwise unlawful.

4. The Federal Circuit also erred in interpreting this Court's decisions to apply exhaustion principles only to "'unconditional' sale[s]," which the court of appeals defined as sales unaccompanied by any announced restrictions on post-sale conduct. Pet. App. 42a; see *id.* at 38a-39a, 42a-43a. The court of appeals invoked, *inter alia*, *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544 (1873), in which this Court observed that patent rights are exhausted when a patentee authoriz-

es a sale "without any conditions." *Id.* at 547; see Pet. App. 38a. In the parlance of the time, however, the term "conditional sale" typically referred to a sale in which title to the article would not pass to the buyer until the performance of a condition precedent. See, *e.g.*, *Harkness* v. *Russell*, 118 U.S. 663, 666 (1886) (describing a "conditional sale" as a "mere agreement to sell upon a condition to be performed," only after which title passes); see also Pet. App. 115a-116a (Dyk, J., dissenting) (explaining this distinction).

This Court's exhaustion decisions are best read to use the term "conditional sale" in that narrow sense. Indeed, the Court in *Motion Picture Patents* described a sale that involved restrictions on downstream purchasers' use of the patented article, but that resulted in immediate passage of title, as an "unconditional sale." 243 U.S. at 515-516 (discussing *Bauer & Cie* v. *O'Donnell*, 229 U.S. 1 (1913)). And the Court has repeatedly found patent rights exhausted even when the patentee purported at the time of sale to impose such restrictions on post-sale use or resale—*i.e.*, even when the relevant sales qualified as "conditional" under the Federal Circuit's definition. See, *e.g.*, *Univis*, 316 U.S. at 251; *Motion Picture Patents*, 243 U.S. at 515-519.

5. The court of appeals also erred in reading this Court's precedents to allow a patentee to enforce restrictions on the post-sale use and resale of patented articles so long as the authorized sale is made by a licensee rather than directly by the patentee. See, *e.g.*, Pet. App. 8a, 26a, 34a, 35a, 37a, 41a-46a, 62a-63a. Believing it to be "undisputed and clear under Supreme Court precedent" that respondent could have enforced its single-use/no-resale restriction against

downstream purchasers if its cartridges had been sold by an authorized licensee, the Federal Circuit reasoned that respondent should not have "less control" because it sold the cartridges itself. *Id.* at 26a.

The court of appeals' premise—that respondent's patent rights would *not* have been exhausted if respondent's cartridges had been introduced into the stream of commerce through comparable domestic sales performed by respondent's licensee—was incorrect.[2] No decision of this Court suggests that the patent laws authorize the perpetual downstream control of patented articles, as long as the patentee arranges for a licensee to make the first authorized sale. To the contrary, this Court has repeatedly held that

---

[2] The Federal Circuit understood the government to urge a "distinction between patentee sale[s] and non-patentee licensee sale[s]," Pet. App. 26a, and respondent contends (Supp. Cert. Br. 6) that the government urged such a distinction in its certiorari-stage brief in *Quanta*. Those statements reflect a misunderstanding of the government's position. The government observed below that, under this Court's precedents, a "patentee may specify the circumstances in which a licensee may make an authorized (*i.e.*, noninfringing) sale on the patentee's behalf." Gov't C.A. Amicus Br. 8. But the government further argued below, as it does here, that "once the first authorized sale has occurred, the patentee may not exercise any further control over the use or resale of that article." *Ibid.* Likewise in *Quanta*, the government explained that a patentee may place "restriction[s] on a licensee's ability to make an authorized sale," but that patent rights are exhausted by the first sale made "either directly [by the patentee] or through an authorized licensee." U.S. Cert. Amicus Br. at 7, 13, *Quanta*, *supra* (No. 06-937). The government thus has consistently viewed the relevant question as whether the initial sale was *authorized*, not whether it was made by the patentee or by his licensee. See Pet. App. 120a-125a (Dyk, J., dissenting).

authorized sales by licensees exhaust the patentee's exclusive rights, even when the sale is accompanied by restrictions on post-sale use or resale. See, *e.g.*, *Quanta*, 553 U.S. at 636-637 (finding exhaustion where licensee sold with restrictions mandated by the patentee); *Univis*, 316 U.S. at 249 (observing that a sale "by the patentee or by his licensee" constitutes "a complete transfer of ownership" that exhausts patent rights, notwithstanding use restrictions).

In *Motion Picture Patents*, for example, the patentee authorized its licensee to sell the patented article, but required the licensee (as a condition of the license) to tell purchasers that the article could be used only in particular ways following the sale. 243 U.S. at 506-507. The licensee communicated the restriction to the purchaser in accordance with the license terms. *Id.* at 507. The Court held that the authorized sale by the licensee exhausted the patentee's patent rights, rendering the purported restriction on post-sale use unenforceable in a patent-infringement action against the buyer. *Id.* at 506-507, 515-518.

The court of appeals' error stemmed from its misreading of *General Talking Pictures Corp.* v. *Western Electric Co.*, 305 U.S. 124 (1938). The patentee there authorized a licensee to sell patented amplifiers only for non-commercial uses. *Id.* at 125-126.[3] The licensee violated that condition by selling amplifiers for commercial use in theaters. *Id.* at 126. The Court held that, because the amplifiers were "sold outside

---

[3] Patentees may not use their power to restrict licensees in a manner that unlawfully restrains trade, *United States* v. *Line Material Co.*, 333 U.S. 287, 304 (1948), but the Court in *General Talking Pictures* stated that the non-commercial-use restriction "was legal," 305 U.S. at 127.

the scope of the license the effect is precisely the same as if no license whatsoever had been granted," *id.* at 127, so that the sale itself made the licensee "guilty of an infringement," *id.* at 126. The Court further held that, "as [the buyer of the amplifiers] knew the facts," it also was liable for infringement "because it ha[d] used the invention without license to do so." *Id.* at 127.[4]

General Talking Pictures reflects the principle that a sale made by a licensee in violation of the license terms is not an *authorized* sale that can trigger patent exhaustion. That rule makes eminent sense. Just as a patentee can determine which sales to make itself—to which customers, in which geographic regions, and so forth—so too can the patentee control the conditions under which a licensee is authorized to make those sales. See, *e.g.*, *United States* v. *General Elec. Co.*, 272 U.S. 476, 490-491 (1926).

The Federal Circuit, however, misunderstood *General Talking Pictures* to imply that, if respondent had authorized a licensee to make and sell its patented

---

[4] Although the Court in *General Talking Pictures* appeared to attach significance to the buyer's knowledge that the licensee lacked authority to sell for commercial uses, it did not explain why that knowledge was legally relevant given that direct patent infringement is, and traditionally has been, a strict-liability tort. See, *e.g.*, *Commil USA, LLC* v. *Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015); see also 3 William C. Robinson, *The Law of Patents for Useful Inventions* § 901, at 58 (1890) ("As a general proposition, the intention with which an act of infringement is performed is immaterial."). Because the buyer in *General Talking Pictures* knew the sale was unauthorized, the Court had no occasion to consider whether a purchaser who lacked such knowledge would also be liable for infringement.

cartridges, and the licensee (pursuant to respondent's instruction) had imposed the single-use/no-resale restriction on buyers, that restriction would have been enforceable in a patent-infringement action against the buyers and any subsequent repurchasers. See Pet. App. 44a-45a. The court concluded on that basis that, if respondent's own sales were held to have exhausted its patent rights, "[n]on-practicing-entities would have greater power to maintain their patent rights than practicing entities." *Id.* at 45a.

That analysis is incorrect. *General Talking Pictures* would be on point if respondent had instructed a licensee to impose the single-use/no-resale restriction as a contract term with buyers, and the licensee had instead sold the cartridges under contracts that allowed resale or multiple uses. In that circumstance, the licensee would be liable under Section 271(a) for selling the patented cartridges without authority from the patentee, and the buyer also could be liable for infringement if it resold or reused the cartridges. See 305 U.S. at 127; see also pp. 19-20 & n.4, *supra*.

General Talking Pictures does not suggest that, if the hypothetical licensee *obeyed* respondent's directive and placed the single-use/no-resale restriction in its sales contracts, a buyer (or subsequent repurchaser) who violated that restriction could be liable for patent infringement. To the contrary, this Court's precedents make clear that respondent's patent rights would be exhausted in that situation. See pp. 9-13, *supra*. The difference in outcomes between the two scenarios turns on the fact that a sale in conformance with the license terms is an *authorized* sale, but a sale in defiance of those terms is not. The Federal Circuit was therefore wrong to conclude that, if respondent's

own sales trigger exhaustion, respondent would be disadvantaged vis-à-vis patentees who sell through licensees.

II. A FOREIGN SALE AUTHORIZED BY A U.S. PATENTEE EXHAUSTS U.S. PATENT RIGHTS UNLESS THE PATENTEE EXPRESSLY RESERVES THOSE RIGHTS

Petitioner argues that, if a foreign sale of an article covered by a U.S. patent is authorized by the U.S. patentee, that sale *necessarily* exhausts the patentee's U.S. patent rights in the sold article. Respondent argues, by contrast, and the Federal Circuit held, that a foreign sale can *never* trigger exhaustion of U.S. patent rights. Neither of those positions is correct. Instead, lower courts long ago coalesced around an intermediate approach, under which a patentee's *express* reservation of U.S. patent rights at the time of a foreign sale will be given effect, but those rights will be deemed exhausted if an authorized foreign sale occurs and no express reservation of U.S. patent rights is made. The Court should adopt that rule of presumptive international exhaustion, which appropriately balances the territorial nature of patent law with purchasers' traditional entitlement to assume that an unrestricted sale conveys all the seller's rights in the article sold.[5]

---

[5] Even if the initial sale of an article covered by a US. patent occurs abroad, any lawful resale of that article in the United States will categorically exhaust the U.S. patentee's patent rights in that article. Thus, if the U.S. patent holder sells an article abroad without expressly reserving his U.S. patent rights to control importation and resale, and the article is imported into this country and here resold, even express restrictions on the further *use* of that article will not be enforceable under U.S. patent law.

A. Foreign Sales Authorized By U.S. Patentees Should Presumptively, But Not Categorically, Exhaust U.S. Patent Rights

1. In *Boesch* v. *Gräff*, 133 U.S. 697 (1890), the Court held that U.S. patent rights were not exhausted by a foreign sale that was permissible under the foreign country's laws but had occurred without the involvement or authorization of the U.S. patentee. See *id.* at 702-703. German law gave the seller, who did not own the U.S. or German patent, the right to make and sell the product in Germany because he had begun manufacturing it before the application for a German patent was filed. *Id.* at 701. While acknowledging its precedents concerning domestic patent exhaustion, the Court found those decisions inapposite because they involved sales made pursuant to U.S. patent law, while in *Boesch* "[t]he right which [the seller] had to make and sell the burners in Germany was allowed him under the laws of that country." *Id.* at 703. The Court concluded that the lawful foreign sale in that case did not exhaust U.S. patent rights because "[t]he sale of articles in the United States under a United States patent cannot be controlled by foreign laws." *Ibid.*

Boesch makes clear that, because a foreign sale of a patented article occurs under foreign law and has no inherent link to the U.S. patent or to the rights conferred by U.S. patent law, a lawful foreign sale of a particular article will not *always* exhaust U.S. patent rights in that article. In *Boesch*, however, the German prior-use law that legitimized the foreign sale had no analog in U.S. patent law. The Court held that, although German law controlled the question whether the initial foreign sale was lawful, the propriety of

resale in the United States was controlled by U.S. law. See 133 U.S. at 703. But the Court had no occasion to decide whether, or under what circumstances, a foreign sale that is made or authorized by the U.S. patentee (and thus would be lawful if it occurred in the United States) will exhaust U.S. patent rights.

2. In recognition of the separate nature of U.S. and foreign patent rights, U.S. courts have long permitted U.S. patentees to reserve their U.S. rights when making or authorizing foreign sales. See, *e.g.*, *Dickerson* v. *Tinling*, 84 F. 192, 194 (8th Cir. 1897); *Dickerson* v. *Matheson*, 57 F. 524, 527 (2d Cir. 1893); see also *Griffin* v. *Keystone Mushroom Farm, Inc.*, 453 F. Supp. 1283, 1284-1285 (E.D. Pa. 1978) (finding no exhaustion based on a foreign sale without considering whether U.S. rights were expressly reserved). In *Griffin*, for example, the court held that a sale in Italy authorized by the U.S. patentee did not exhaust U.S. patent rights in the article. 453 F. Supp. at 1286-1287. The defendant argued that "it would be inequitable to allow [the patentee] to collect two royalties." *Id.* at 1287 n.2. In rejecting that contention, the court emphasized that the patentee held two separate property interests under U.S. and Italian law, and stated that it could not "perceive why [the patentee's] ownership of both bundles of rights should compromise those rights." *Id.* at 1286. Similarly in *Tinling*, the court concluded that a U.S. patentee's authorization of sales in Germany did not exhaust its U.S. patent rights because the patentee had expressly reserved those rights, ensuring that its distinct U.S. "monopoly * * * still remain[ed] intact." 84 F. at 195. We are aware of no case in which a U.S. court has refused to

honor an express reservation of U.S. rights made in connection with the foreign sale of a patented article.

U.S. courts have also generally concluded, however, that an *unrestricted* sale abroad authorized by the U.S. patentee will exhaust the patentee's right to control importation of the particular article into the United States and its subsequent resale or use within this country. See, *e.g.*, *Curtiss Aeroplane & Motor Corp.* v. *United Aircraft Eng'g Corp.*, 266 F. 71, 77 (2d Cir. 1920); *Holiday* v. *Mattheson*, 24 F. 185, 185 (C.C.S.D.N.Y. 1885); *Sanofi, S.A.* v. *Med-Tech Veterinarian Prods., Inc.*, 565 F. Supp. 931, 938 (D.N.J. 1983); see also *Kabushiki Kaisha Hattori Seiko* v. *Refac Tech. Dev. Corp.*, 690 F. Supp. 1339, 1342 (S.D.N.Y. 1988) (applying exhaustion principles to a foreign sale that did not include an express reservation of U.S. rights, without considering whether the result would be different if those rights had been reserved). Those courts have applied the presumption that, when an owner "sells an article without any reservation," he "intends to part with all of his rights in the thing sold." *Sanofi*, 565 F. Supp. at 938 (quoting *Holiday*, 24 F. at 185). The courts have accordingly recognized that, although a U.S. patentee is not required to relinquish his separate U.S. rights in an article when authorizing a foreign sale, the patentee must expressly reserve those rights to prevent the "purchaser [from] acquir[ing] the whole right of the vendor in the thing sold." *Holiday*, 24 F. at 185. For the reasons that follow, that approach is superior to either of the categorical rules advocated by the parties in this case.

B. The Court Should Reject Petitioner's Proposed Rule Of Automatic International Patent Exhaustion

1. The international legal regime governing the protection of inventions is defined by the independence of each nation's patent system. The United States has ratified the Paris Convention for the Protection of Industrial Property, Mar. 20 1883, 25 Stat. 1372, which provides in Article 4*bis* that "[p]atents applied for in the different contracting States * * * shall be independent of the patents obtained for the same invention in the other States." Convention at Brussels, An Additional Act Modifying the Industrial Property Convention of March 20, 1883, Dec. 14, 1900, Art. I, para. III, 32 Stat. 1940 (adding Article 4*bis*). International agreements enhance U.S. patentees' ability to seek patent protection in other countries (and vice versa), but those agreements do not provide for reciprocal patent rights, and different countries' laws vary in their protections for particular inventions. See Pet. App. 75a-81a. It is not uncommon that the United States issues a patent for an invention while another country denies protection for the same invention or approves claims significantly different in scope. Those differences reflect "different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions." *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 455 (2007) (*Microsoft*) (citation omitted).

U.S. patent law "do[es] not, and w[as] not intended to, operate beyond the limits of the United States," and the United States has "correspondingly reject[ed] the claims of others to such control over our markets." *Microsoft*, 550 U.S. at 444 (citation omitted). Of particular relevance here, no authority under a U.S. pa-

tent is needed to sell a patented article in a foreign country. See *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518, 527 (1972). If a U.S. patentee wishes to control foreign sales of his patented article, his "remedy * * * lies in obtaining and enforcing foreign patents." *Microsoft*, 550 U.S. at 456; see *Deepsouth Packing*, 406 U.S. at 531 (observing that, if an "inventor needs protection in [foreign] markets," Congress "inten[ded] to have him seek it abroad through patents secured in countries where his goods are being used").

For purposes of patent exhaustion, it is appropriate to distinguish between a foreign sale made under the authority of a foreign patent or otherwise in accordance with foreign law, and a U.S. sale made under the authority conferred by the U.S. patent pursuant to U.S. law. The exhaustion doctrine reflects the principle that a patentee is entitled to collect one—but only one—premium for forfeiting his exclusive right under U.S. law to prevent the sale of his patented article in the United States. By authorizing a U.S. sale, the patentee makes a choice to "part[] with his right" under U.S. law "to assert the patent monopoly" in that article. *Univis*, 316 U.S. at 251. But even if the same entity owns both the U.S. and the foreign patents for an invention, a foreign sale does not constitute an exercise of patent rights under U.S. law, and the price charged for that sale is not necessarily calibrated to reward the patentee for any relinquishment of those U.S. rights.

2. Although U.S. patent laws do not directly address the issue of international patent exhaustion, Congress has enacted legislation predicated on the assumption that U.S. patentees may authorize sales

abroad while expressly reserving their U.S. patent rights. In 2004, Congress enacted laws approving free trade agreements that commit the United States to preserve "the exclusive right of the patent owner to prevent importation of a patented product," notwithstanding a foreign sale of that product, at least where the patentee "has placed restrictions on importation by contract or other means." United States-Australia Free Trade Agreement, Art. 17.9.4, May 18, 2004, KAV 6422 (2005) (see United States-Australia Free Trade Agreement Implementation Act, Pub. L. No. 108-286, 118 Stat. 919); United States-Morocco Free Trade Agreement, Art. 15.9.4 & n.10, June 15, 2004, KAV 7206 (2005) (see United States-Morocco Free Trade Agreement Implementation Act, Pub. L. No. 108-302, 118 Stat. 1103); see Pet. App. 87a-88a & nn.22-23 (quoting relevant provisions).

Congress has since enacted appropriations riders barring the inclusion of similar provisions in future trade agreements, apparently to allow further consideration of issues specific to particular product markets. *E.g.*, Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006, Pub. L. No. 109-108, Tit. VI, § 631, 119 Stat. 2344; see *Transcript, Fiscal Year 2006 Defense Appropriations and the Fiscal Year 2006 Science, State and Justice Appropriations Bills: Hearing Before the H. Comm. on Appropriations*, 109th Cong., 2005 WL 1350973 (June 7, 2005). But Congress has left intact the statutes approving the prior free trade agreements and has not altered U.S. law relating to international exhaustion.

The United States is therefore committed, in free trade agreements approved by legislation enacted by both Houses of Congress and signed by the President,

to permit the express reservation of U.S. patent rights notwithstanding authorized foreign sales of patented articles. Those laws reflect Congress's understanding that exhaustion principles do not preclude enforcement of such reservations of rights, and they provide a further reason to construe the patent laws in a manner consistent with that understanding. Cf. *Vimar Seguros y Reaseguros, S.A.* v. *M/V Sky Reefer*, 515 U.S. 528, 539 (1995) ("[C]ourts should be most cautious before interpreting * * * domestic legislation in such manner as to violate international agreements.").

3. Petitioner contends (Br. 45-48) that this Court's decision in *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), which held that a U.S. copyright holder's U.S. rights were automatically exhausted by its sale of copyrighted books abroad, compels an analogous rule of automatic international exhaustion in the patent context. That is incorrect.

The Court in *Kirtsaeng* held that 17 U.S.C. 109(a), which permits owners of copies "lawfully made under this title" to sell or dispose of those copies without the copyright owner's permission, applies to copies "lawfully made abroad." 133 S. Ct. at 1356. In reaching that conclusion, the Court rejected the argument that Section 109(a) referred only to copies made in the United States. *Id.* at 1358-1362. The Court concluded that the proposed geographic limitation would exempt foreign-made copies from the first-sale doctrine entirely and so yield the "absurd result that the copyright owner c[ould] exercise downstream control even when it authorized the import or first sale" in the United States. *Id.* at 1366; see *id.* at 1373 (Kagan, J., concurring).

Kirtsaeng's reasoning does not carry over to the patent context. Patent and copyright law "are not identical twins." *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984). The Court has accordingly exercised "caution * * * in applying doctrine formulated in one area to the other," *ibid.*, including in cases involving exhaustion, see *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 345-346 (1908). That caution is particularly warranted here. Because the Patent Act contains no analog to 17 U.S.C. 109(a), the *Kirtsaeng* Court's analysis of the text, context, and history of that provision does not illuminate the proper international-patent-exhaustion rule. And unlike in the copyright context, which is governed by the particular language of Section 109(a), a rule of automatic international exhaustion is unnecessary to prevent U.S. patentees from exercising perpetual control over patented goods. Even if a patentee withholds its U.S. rights in authorizing a foreign sale, its subsequent authorization of a sale in the United States would fully exhaust those rights under the domestic-exhaustion rule that has prevailed for more than 160 years.

As petitioner emphasizes (Br. 45-46), the *Kirtsaeng* Court found additional support for its interpretation of Section 109(a) in the "common law's refusal to permit restraints on the alienation of chattels," which "makes no geographical distinctions." 133 S. Ct. at 1363. But that common-law doctrine was significant because the Court could identify "no language, context, purpose, or history that would rebut" it, either in Congress's codification of the doctrine or in prior decisions discussing copyright exhaustion. *Id.* at 1364. In the patent context, by contrast, *Boesch* demon-

strates that sales lawfully made in a foreign country do not automatically trigger exhaustion of U.S. patent rights. In addition, lower courts have consistently upheld express reservations of U.S. patent rights accompanying foreign sales, and Congress has enacted legislation that assumes that understanding of U.S. patent law. *Kirtsaeng* therefore does not resolve the question presented here.

4. Petitioner's policy arguments (Br. 55-58) do not provide a sound basis for discarding the balanced rule of presumptive international patent exhaustion in favor of an automatic-exhaustion rule.

Petitioner observes (Br. 57-58) that, because it may be difficult to trace patent rights in particular articles or their components, allowing U.S. patent holders to reserve their U.S. rights when making an initial foreign sale will expose unwitting buyers to potential infringement liability. But those risks already exist to some extent as a consequence of other aspects of U.S. patent law. Patent infringement is a strict-liability tort, and independent creation is not a defense. A business acting in good faith and with due diligence therefore may face unexpected infringement claims, particularly in technology-intensive industries.

Petitioner's proposed rule of automatic international patent exhaustion, moreover, would apply by its terms only to foreign sales "authorized by the U.S. patentee" (Br. 44), not to other lawful foreign sales such as occurred in *Boesch* or that occur when different entities own the U.S. and foreign patents. Even under petitioner's rule, a downstream purchaser therefore would need to know the circumstances of the initial foreign sale in order to determine with certainty whether the U.S. patentee's rights had been ex-

hausted. Similar uncertainties could arise when purchasers buy patented articles from a licensee, because the licensee may be acting outside the scope of the license and without authority to make the sale, as occurred in *General Talking Pictures*.

Commercial law has recognized and responded to the practical problems petitioner identifies through default rules of indemnification against third-party infringement claims. See, *e.g.*, Uniform Commercial Code § 2-312. In addition, unintentional infringers generally are not subject to an award of enhanced damages. See, *e.g.*, *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1928 (2016). The relatively short duration of patent protection as compared to copyright protection, and the assurance that U.S. patent rights will be exhausted by the first authorized sale in the United States of an article originally sold abroad, further ameliorate the potential harms petitioner identifies. Petitioner's policy arguments—which do not account for any potential offsetting benefits of allowing international market segmentation in patented goods—do not justify a rule of automatic international patent exhaustion.

C. This Court Should Also Reject The Rule, Advocated By Respondent And Adopted By The Federal Circuit, That A Foreign Sale Can Never Exhaust U.S. Patent Rights

Although the Federal Circuit correctly recognized that foreign sales do not *automatically* exhaust U.S. patent rights, the court erred in reaffirming *Jazz Photo*'s rule that foreign sales can *never* have that effect. Pet. App. 101a-103a.[6] The patentee can de-

---

[6] Contrary to respondent's suggestion (Supp. Cert. Br. 10), the Federal Circuit adopted a bright-line rule that foreign sales never

termine whether the terms of a foreign sale adequately reward him for his separate rights under U.S. and foreign law. See *id.* at 133a-134a (Dyk, J., dissenting). While no authority under U.S. law is required to consummate a foreign sale, nothing in the nature of a foreign sale logically precludes a U.S. patentee from conveying his U.S. rights as part of the foreign transaction.

The Federal Circuit concluded that the initial purchaser and subsequent downstream buyers should have the burden of proving that the U.S. patentee granted an express or implied license to import, use, or resell the patented article in the United States. Pet. App. 101a-103a. That ruling would defeat a buyer's legitimate expectation that an unrestricted foreign sale conveys all of the seller's interest in the patented article. The court's approach also harms downstream buyers who were not parties to the original foreign sale and may have difficulty marshaling evidence that an express or implied license was granted. By contrast, when the U.S. patentee authorizes the initial foreign sale, it is well positioned to clearly communicate an express reservation of U.S. rights and to provide evidence of that restriction in any ensuing litigation. A rule of presumptive exhaustion therefore appropriately balances "the interests of the rights holder and the unsuspecting buyer." Pet. App. 134a (Dyk, J., dissenting).

The Federal Circuit issued its judgment "on the premise that [respondent] made the foreign sales

---

exhaust U.S. patent rights. The court held that a foreign sale creates a defense to infringement "only" if the defendant can establish an "express or implied license—a defense separate from exhaustion." Pet. App. 9a.

without communicating a reservation of U.S. patent rights." Pet. App. 63a. The parties dispute the accuracy of that premise. Compare Pet. Supp. Cert. Br. 4, with Resp. Supp. Cert. Br. 12. The judgment in respondent's favor as to cartridges respondent sold abroad should therefore be vacated and remanded for whatever further factfinding may be necessary to resolve whether respondent expressly reserved its U.S. rights in those foreign transactions.

CONCLUSION

The judgment of the court of appeals should be reversed as to cartridges respondent sold in the United States and vacated as to cartridges respondent sold abroad.

Respectfully submitted.

NOEL J. FRANCISCO
Acting Solicitor General
JOYCE R. BRANDA
Acting Assistant Attorney General
MALCOLM L. STEWART
Deputy Solicitor General
ELIZABETH B. PRELOGAR
Assistant to the Solicitor General
MARK R. FREEMAN
MELISSA N. PATTERSON
Attorneys

JANUARY 2017